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Philippines

Market Development Reports

U.S. Food-Use Soybean Development

2006

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Report Highlights:

The food-use soy industry of the Philippines is smaller and less dynamic than those of other Asian countries. However, due to the strengthening of the peso against the dollar and a growing health conscious population, ATO Manila projects good to excellent prospects for U.S. soy products. This report analyzes the prospects for food-use soy development in the Philippines, emphasizing local and regional food products.

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Unscheduled Report
Manila [RP1]
[RP]

MARKET BRIEF: THE PHILIPPINES HEALTH FOOD AND MASS MARKET A POTENTIAL FOR NEW U.S. SOY PRODUCTS

MARKET SUMMARY

The current population of the Philippines is 89.5 million with an average growth rate of 2.5 percent. An estimated 35.4 percent of the total population is below the age of 14. Unemployment and poverty are high, at 8.1 percent and 39.4 percent respectively. In general, the economy appears to be improving slowly as demonstrated by meeting Threshold Status and receiving Millennium Challenge Corporation funding in 2006.

Philippines Economic Indicators 2002-2006					
	2002	2003	2004	2005	2006
Economic Growth Rate	4.4%	4.5%	6.0%	5.1%	...
GDP per capita (US Dollars)					
• Nominal	912	935	1,026	1,127	...
• PPP basis	3,968	4,090
Inflation Rate	3.1%	3.1%	6.0%	7.6%	7.2%*
Peso: US\$ 1.00	53.10	55.74	56.21	56.01	53.02
Source: National Statistics Office of the Philippines *As of May 2006					

The following should be noted about the current food-use soy market:

- Extreme price sensitivity
- Historical preferences for meat, poultry and dairy products.
- Low consumption (0.3 kg annually per capita, 2004)
- Consumption concentrated in the large Chinese and Muslim communities
- Little, but increasing, knowledge exists of the health benefits of soy
- Manufacturers are small scale and limited primarily to large urban centers

Soy products consumed in the Philippines include *tahô*¹, tofu, *tokwa*², soy sauce, and soybean beverages, marketed locally as soymilk. *Tahô* is the most popular product. Increasingly, Filipinos are turning to soy, particularly *tokwa*, for its health benefits and affordability. Soymilk has been making inroads into the market and is becoming readily available as well.

Food-use soybeans are produced domestically on a very small scale (approximately 3000 metric tons annually), but the vast majority are imported. There is a 1 percent flat tariff on all incoming soybeans.

TRENDS IN CONSUMPTION

Food-use soybean consumption accounts for 13 percent of total domestic consumption in the Philippines. Little information is available on country distribution of food-use soybean imports. However, conversations with local importers indicate that Canadian and Chinese

¹ A local soy pudding, served as a street food warm with syrup for breakfast.

² A local variety of soft tofu.

beans are favored for consumption due to their relative freshness and price. Those beans are available from wet markets and wholesalers.

According to USDA statistics, consumption of soy is relatively constant at around 20,000 metric tons annually. However, increasing awareness and concern about health, particularly high fat and cholesterol, is opening new markets to soy. In addition, the higher quality of U.S. food products is generally accepted. In the health market, high quality soybeans, such as the U.S. IP beans may be acceptable despite the price differential.

One particular local manufacturer is supplying soymilk and tofu solely from U.S. IP beans. In addition to being able to provide the consistent high quality in their product line that their fast food customers demand, the company is able to more than compensate for the higher costs of IP soybeans through increased production returns for each kilo of soybeans. Since 2005, the company has shifted from using Canadian beans exclusively to importing IP soybeans from the United States. While a medium-sized company, it has nevertheless developed a reputation as a trendsetter in the market that is willing to try new products. It is now the largest importer of U.S. IP soybeans in the Philippines.

While the health market is expanding steadily with new product innovations, higher quality and longer shelf life, the mass market for convenient and affordable goods is growing even more with population increase. This market continues to rely on food sold through street vendors and wet market stalls, such as *tahó*. *Tahó* sales suffered recently from sanitation concerns, but it continues to be a high protein breakfast staple for many workers of all classes. The reduction in sales of *tahó* indicates that even the mass-market responds to quality concerns. If prices remain competitive, this is a promising area for new U.S. food-use soy products because of the sheer volume of the market.

TRENDS IN PRODUCTION

In an effort to expand the market share for soy products, the manufactures are introducing traditional products with better ingredients and processing. ATO Manila, in partnership with the American Soybean Association (ASA), is researching a soy product popular in Indonesia called tempeh³, targeting both the health food and mass markets. This product offers good potential in the Philippines as the demographics and income levels between Indonesia and the Philippines is similar. The Indonesian market for U.S. soybeans exceeds \$250 million annually, almost exclusively used for tempeh production.

Tempeh has the following characteristics applicable to the Philippines:

1. Affordable to the mass market (under 25 cents per serving)
2. Adaptable to local tastes
3. Popular in Indonesia, with similar tastes and economic conditions
4. Healthy (comparable protein to animal sources)
5. Favors U.S. soybeans over competitors because:
 - a. It is manufactured with whole beans, so the size and uniformity of the beans maintain the desired texture.
 - b. The IP beans have less of a "beany" aftertaste, making them ideal for consumers unaccustomed to soybeans.

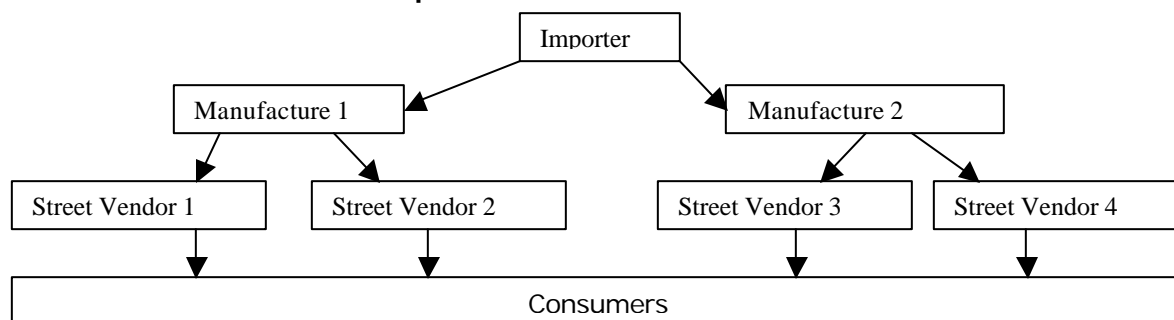
Tempeh is produced using relatively simple inputs and is a good candidate for livelihood development. In addition to the manufacturing and distribution of tempeh, inputs such as dehullers need to be supplied. The Indonesian dehuller is a relatively simple machine that

³ Tempeh is a fermented un-salted soy cake, in which the beans are held together by white mycelia of the yeast *Rhizopus oligosporus*. It is then sliced and cooked like meat.

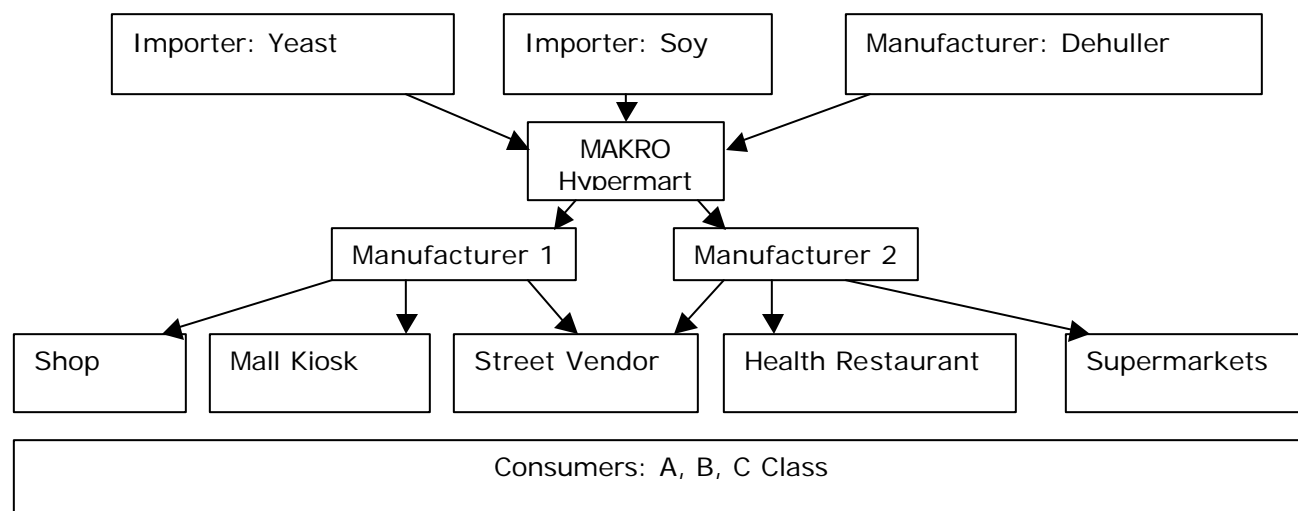
can be replicated and sold in the Philippines. The yeast is quite affordable and could be imported in a standardized form from Indonesia to maintain quality control.

TRENDS IN DISTRIBUTION

Possible Distribution of Tempeh:



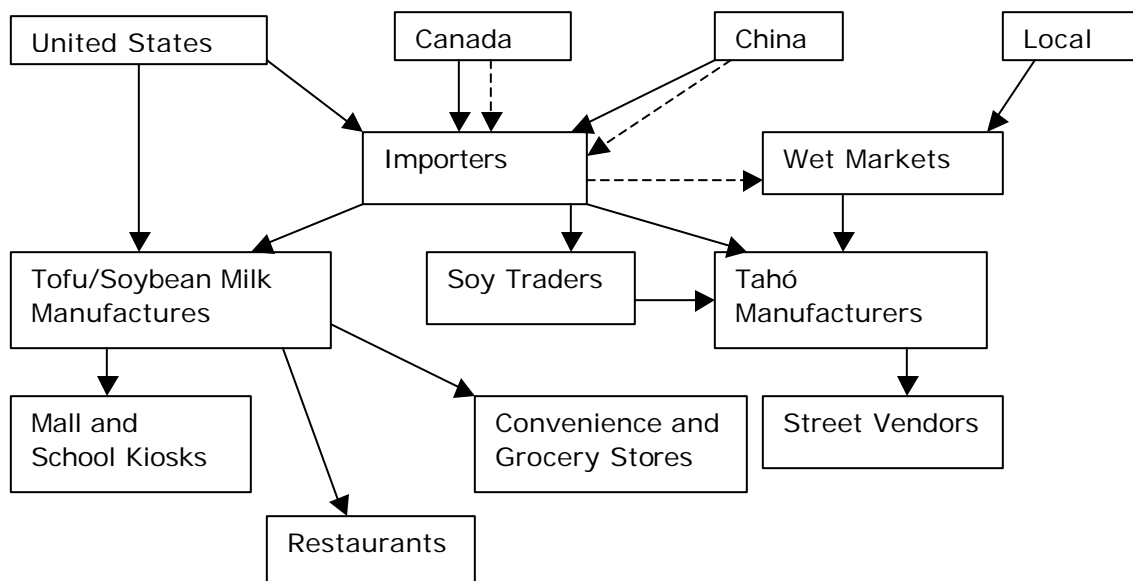
The above is the distribution model for *tahó*, but is also a possible course for tempeh. Using this model would target lower income consumers – classified locally as C, D income levels. The manufacturers would have to be numerous to cover much area, as street vendors generally pick up the product from the manufacturer and walk to their sales location. The manufacturers would also have to be large and/or close enough to the importer to get the inputs delivered directly to their kitchen. This is the case with current soy manufacturers, such as Banawe Bean Curd and Charmy, but is not as common with the very small *tahó* manufactures. They often pick up their soybeans from a wet market or wholesaler nearby.



Several attendees of our informational meetings with non government organization, vendors and importers held in September 2006 suggested that to stimulate the market for tempeh, it would be better to start with the A, B class of consumers and market it as a niche or gourmet product. Later, the C, D, E classes would demand similar, but more affordable products in large volume. The model they suggested targets diverse consumers in many locations. However, ATO Manila believes that using either the Makro model or the *tahó* model, the C, D market must be targeted first to generate high volume and general interest, before expanding to restaurants and supermarkets. In particular, the nutrition and

affordability of tempeh will benefit the C, D market most. The above model uses Makro as the main distribution hub, gathering all the inputs into a single location for the manufacturers to transport to their kitchens. This limits the locations for producing tempeh to those that currently have a Makro hypermart outlet.

Observations on the Current Distribution of Food-Use Soy:



CONCLUSIONS

The food-use soy market of the Philippines is growing, but requires innovation and development. Due to current trends favoring low cost and healthy foods, U.S. soybean tempeh has the best potential to take off in significant volumes. At least initially, a distribution chain that introduces tempeh both as a health product in the high-end market and as an affordable source of protein will be the most successful. Depending on how the product fares in large taste tests, either the lower or higher end market should be targeted later. In addition to introducing a new product, however, a marketing campaign targeting public awareness of the applications and benefits of soy is necessary for the market to grow rapidly.

POST CONTACT AND FURTHER INFORMATION

The U.S. Agricultural Trade Office in Manila maintains up-to-date information covering food and agricultural import opportunities in the Philippines and would be pleased to assist in facilitating U.S. exports and entry to the Philippine market. Questions or comments regarding this report should be directed to the U.S. ATO in Manila at the following address:

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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's Homes page: <http://www.fas.usda.gov>

For more information on Soy please visit the American Soybean Association at their website: <http://www.soygrowers.com/>

For more information on tempeh, please visit Tempeh.com